Restoration of income tax exemption under section 80(P) of IT Act

*398. SHRI KANJIBHAI PATEL:
SHRI JAYANTILAL BAROT:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the Association of Co-operative Banks in Gujarat, some Chambers of Commerce and Minister for Agriculture from Gujarat, have represented to the Central Government to restore the Income Tax exemption under Section 80(P) of the Income Tax Act, which has been withdrawn by the Central Government in the current year;

(b) whether Government have considered these representations and rejected; and

(c) if so, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) Yes, Sir.

(c) Out of 1,11,745 co-operative banks/banking institutions, a large majority of the co-operative banking institutions has been kept out of the tax net. It may be noted that 1,08,779 Primary Agricultural Credit Societies (PACS) and 697 Primary Co-operative Agriculture and Rural Development Banks (PCARD) (total 1,09,476 entitites) are outside the purview of the amendment. The PACS and PCARDs constitute about 98% of the total co-operative banks or banking institutions. Thus, the amendment is applicable only to the remaining 2% of the co-operative banking institutions, which are only 2,269 in number. Since the tax has to be paid only by the profit making banks, the withdrawal of the exemption will be applicable only to 1,746 banks as per the laterst figures available.

The widhrawal of tax benefit under Section 80P to co-operative banks, which was approved by Parliament, is justified on the following grounds:—

(i) Co-operative banks are like any other bank and the principle of mutuality does not apply because their area of operations extend even to non-members.

(ii) It is in consonance with the objective of the Government to expand the tax base by phasing out all exemptions which are considered economically inefficient.

(iii) Income-tax is a tax on profits and there is no rationale for exempting profit-making co-operative banks from payment of income-tax.

The amendment ot Section 80P is also justified as expert committees have recommended the wirthdrawal of tax benefits under this Section. Morever, due to the amendment of section 80P, the standards of accountability and governance in the co-operative banks would improve due to the discipline of producing audited accounts and filing income-tax returns.

Higher duty levied on ship-breaking industry

*399. SHRI JAYANTILAL BAROT:
SHRI SURYAKANT ACHARYA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that ship breaking industry is providing employment to a large number of manual workers of Northern States;

(b) whether the present rate of duty levied on ship-breaking for the scrap metal is higher than the duty levied on the metal scrap in neighbouring countries particularly Bangladesh and China;

(c) whether Government are aware that due to this higher duty, employment is coming down in the industry in Gujarat, particularly at Alang;

(d) whether Government will consider the proposal of State Government of Gujarat to reduce the import duty to the level of other competitors; and

(e) if so, by when the decision with regard to the reduction of import duty will be taken?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Yes, Sir.

(b) Basic customs duty on ships for breaking is 5%. As per Integrated Database of World Trade Organization (WTO), rate of customs duty on ships for breaking in Bangladesh is 1000 Bangladesh Taka per light displacement tonnage or LDT (about 3.7% on ad valorem terms based on current prices). In Pakistan, the customs duty rate is 5%, while for China, the rate is 3%. Thus, the rate of customs duty in India for import of ships for breaking is not significantly higher than that in the neighbouring countries.